PURPA

Public Utilities Regulatory Policy Act of 1978

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PURPA Overview

- Congress passed the Public Utilities Regulatory Policy Act of 1978 with the goal of encouraging greater domestic development of renewable energy resources from cogeneration and certain small power production facilities, or Qualifying Facilities (QFs)
- Two main requirements of PURPA are :
  - Electric utilities are obligated to purchase power produced by renewable or cogeneration energy QFs; this is referred to as the mandatory purchase, or ***must-take obligation***; and
  - Electric utility customers must remain financially indifferent to a utility's purchase of QF power. This "***customer indifference***" standard is a pillar of PURPA that must be read in conjunction with PURPA's ***must-take*** mandate
- The fact that PURPA was not meant to harm customers or subsidize QF development is clearly expressed in PURPA's legislative history, in the statute, and in Federal Energy Regulatory Commission's (FERC) regulations

PURPA Implementation

- PURPA implementation is an example of cooperative federalism, where the federal government has allowed significant leeway to the states with respect to how PURPA is implemented
- This allows the states to implement PURPA in a way that takes into account local conditions, so long as implementation is consistent with the principles of the legislation and the PURPA regulations as promulgated by FERC
- Utah has passed legislation and written rules to implement PURPA in a manner that meets the needs of the state while honoring the intent of the law [1,2]
- Rocky Mountain Power follows all applicable laws and regulations – both federal and state – despite the inherent tension between our PURPA must-take obligation, and our duty to protect our customers so that they are indifferent to the costs of QF power

[1] Utah Code Ann. § 54-12-01

[2] Utah Rocky Mountain Power Electric Service Schedules No. 37 and No. 38

QFs in Utah Selling to RMP

- 1,040 MW of QF capacity in service
  - 835 MW of Solar (29 projects)
  - 82 MW of Wind (5 projects)
  - 68 MW of Combined Heat and Power/Nat Gas/BioGas (6 projects)
  - 53 MW of Coal (1 project)
  - 2 MW of Hydro (4 projects)
- 318 MW of QF Capacity in pricing queue
  - 238 MW OF Solar (3 projects)
  - 80 MW of Wind (1 project)

UT PURPA
Contract Length

- In Docket 15-035-53, on January 7, 2016 the Utah Public Service Commission ordered that the maximum fixed price contract term be reduced five years, from a maximum of twenty years down to fifteen years
- Also in Docket 15-035-53 the Commission indicated a willingness to consider further reductions in the fixed price contract term based on their following findings and conclusions
  - PURPA's federal rules do not guarantee a risk free return for developers or require PURPA provide investor certainty
  - PURPA leaves discretion to each state to set the term for QF contracts
  - QF Developers' testimony with respect to their need for longer term PPAs to receive financing was unsupported
  - Utah Code Ann. 54-12-1 does not support longer term contracts if they are not in ratepayers' interest
- At this time, RMP has no plans to request a further reduction in the maximum contract term in Utah
- RMP has an active docket in Wyoming where we have requested a reduction from a maximum 20 year term to a 7 year term

UT QF Pricing

- The price that a QF receives for their electricity is required to meet the customer indifference principle.
- This means that the price should be the same as the next best alternative for supplying customers with electricity
- In theory, this is easy to understand – in practice it is difficult to achieve
- RMP uses the Partial Displacement Differential Revenue Requirement (PDDRR) modeling method to calculate the cost of energy and capacity that theoretically achieves the indifference standard
  - This model and its inputs have been reviewed and approved by the Utah Commission
  - RMP regularly updates market-based inputs to this model based on a defined schedule
- Since a utility's avoided cost changes over time, long term QF contracts place more risk on the utility's customers with respect to adherence to the customer indifference principle

State vs. Federal Oversight

- As mentioned previously, Congress and FERC have granted the states considerable leeway with respect to PUPRA implementation
- Deference to the states with respect to avoided cost pricing methodologies and contract terms have been established via precedence in various state and federal proceedings
- FERC only steps in when they feel the core principles of PURPA and its accompanying FERC regulations are violated by the states
- Otherwise, states such as Utah have considerable leeway in establishing the PURPA framework for their citizens, via either statute or regulation